
Leasing Activities Information



U.S. Department of the Interior
Minerals Management Service
Gulf of Mexico OCS Region

Information To Lessees Central Gulf Of Mexico Sale 175

(Proposed Notice of Sale; November 1999)

Table of Contents

- (a) Supplemental Documents
- (b) Navigation Safety
- (c) Offshore Pipelines
- (d) 8-Year Leases
- (e) Affirmative Action
- (f) Ordnance Disposal Areas
- (g) Communications Towers
- (h) Archaeological Resources
- (i) Proposed Artificial Reefs/Rigs to Reefs
- (j) Lightering Zones
- (k) Statement Regarding Certain Geophysical Data
- (l) Information about Indicated Hydrocarbons
- (m) Royalty Relief
- (n) Lease Instrument
- (o) Electronic Funds Transfer
- (p) Deepwater Operations Plans
- (q) Bonding Requirements
- (r) Final Rule: Oil Spill Financial Responsibility for Offshore Facilities
- (s) Response Plans for Facilities Located Seaward of the Coast Line
- (t) Military Warning Areas
- (u) Unleased Blocks Offshore Baldwin County, Alabama

(a) Supplemental Documents. For copies of the various documents mentioned in the Sale Notice or in the Sale Notice Package and identified as available from the MMS Gulf of Mexico Regional Office, prospective bidders should contact the Public Information Unit, Minerals Management Service, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394, either in writing or by telephone at (504) 736-2519 or (800) 200-GULF. Many sale-related documents may also be found on the MMS Homepage Address on the Internet: <http://www.mms.gov>. The MMS also maintains a 24-hour Fax-on-Demand service: (202) 219-1703.

(b) Navigation Safety. Operations on some of the blocks offered for lease may be restricted by designation of fairways, precautionary zones, anchorages, safety zones, or traffic separation schemes established by the U.S. Coast Guard pursuant to the Ports and Waterways Safety Act (33 U.S.C. 1221 et seq.), as amended, and the Deepwater Port Act (33 U.S.C. 1501-1524). Bidders are advised to review U.S. Coast Guard regulations (particularly 33 CFR Part 150, Appendix A; see also 59 FR 17480 published on April 13, 1994) regarding the safety zone around the Louisiana Offshore Oil Port (LOOP).

U.S. Army Corps of Engineers (COE) permits are required for construction of any artificial islands, installations, and other devices permanently or temporarily attached to the seabed located on the OCS in accordance with section 4(e) of the OCS Lands Act, as amended.

For additional information, prospective bidders should contact Lt. Commander Dan Whiting, Assistant Marine Port Safety Officer, 8th Coast Guard District, Hale Boggs Federal Building, New Orleans, Louisiana 70130, (504) 589-4218. For COE information, prospective bidders should contact Mr. Ron Ventola CELMN-OD-S, Post Office Box 60267, New Orleans, Louisiana 70160-0267, (504) 862-2255.

(c) Offshore Pipelines. Bidders are advised that the Department of the Interior and the Department of Transportation have entered into a Memorandum of Understanding (MOU), dated December 10, 1996 (published in the Federal Register on February 14, 1997, at 62 FR 7037), and implemented by a final rule on August 17, 1998 (63 FR 43876), concerning the design, installation, operations, inspection, and maintenance of offshore pipelines. See also 30 CFR 250.1000(c)(1). Bidders should consult both Departments for regulations applicable to offshore pipelines; at the MMS Gulf of Mexico Regional Office, the appropriate contact is Mr. Alex Alvarado at (504) 736-2547. Copies of the MOU are available from the MMS Internet site and

the MMS Gulf of Mexico Regional Office Public Information Unit (see paragraph (a) above).

(d) 8-Year Leases. Bidders are advised that any lease issued for a term of 8 years will be canceled shortly after the end of the fifth year, following notice pursuant to the OCS Lands Act, as amended, if within the initial 5-year period of the lease, the drilling of an exploratory well has not been initiated; or if initiated, the well has not been drilled in conformance with the approved exploration plan criteria; or if there is not a suspension of operations in effect. Furthermore, a rental payment for the sixth year will be due despite the cancellation. Bidders are referred to 30 CFR 256.37.

(e) Affirmative Action. Lessees are advised that they must adhere to the rules of the Department of Labor, Office of Federal Contract Compliance, at 41 CFR Chapter 60. Companies with questions regarding those rules should contact one of the various regional Department of Labor Offices of Federal Contract Compliance.

(f) Ordnance Disposal Areas. Bidders are cautioned as to the existence of two inactive ordnance disposal areas in the Mississippi Canyon area, shown on the map described in paragraph 13(a). These areas were used to dispose of ordnance of unknown quantity and composition. Water depths range from approximately 750 to 1,525 meters. Bottom sediments in both areas are soft, consisting of silty clays. Exploration and development activities in these areas require precautions commensurate with the potential hazards.

The U.S. Air Force has released an indeterminable amount of unexploded ordnance throughout Eglin Water Test Areas 1 and 3. The exact location of the unexploded ordnance is unknown, and lessees are advised that all lease blocks included in this sale within these water test areas should be considered potentially hazardous to drilling and platform and pipeline placement.

(g) Communications Towers. The Department of Defense, U.S. Air Force, has installed seven military communications towers in the Chandeleur/Mobile/Viosca Knoll area which support Air Combat Maneuvering Instrumentation (ACMI). This project may impose certain restrictions on oil and gas activities in that area since no activity can take place within 500 feet of a tower site, and unobstructed lines of sight must be maintained between towers. The seven towers are located within Mobile, Blocks 769, 819, and 990; Viosca Knoll, Block 116; Chandeleur Area, Blocks 33 and 61; and Chandeleur Area, East Addition, Block 39. Information and

maps of the specific locations and line of sight crossings for ACMI towers may be obtained from Mr. Wallace Williams, Minerals Management Service, (504) 736-2772.

(h) Archaeological Resources. Bidders are referred to the regulation 30 CFR 250.126 (Archaeological Reports and Surveys). MMS Notice To Lessees No. 98-06 (Requirements For Archaeological Resources Field Surveys for the Gulf of Mexico OCS Region) published in the Federal Register on November 10, 1998, (63 FR 63071-63074) effective August 10, 1998, specifies remote sensing instrumentation, survey methodology, linespacing, and archaeological report writing requirements for lessees and operators in the Gulf of Mexico Region (GOMR).

In addition, a specific list of lease blocks that fall within the GOMR high-probability area for both prehistoric and historic archaeological resources on the OCS are available on the Region's Internet site at (www.gomr.mms.gov) and can be downloaded off our web site. After entering this address then click on ***Environmental Information***, and then click on ***Gulf of Mexico Archaeological Information***, and finally click on ***Archaeology Survey Blocks*** to select a specific lease block area within the Gulf of Mexico or to download the complete file.

This block list has been updated in November 1998 and represents the most current archaeological survey lease block list for the GOMR. This block list supersedes all previous archaeological high-probability block lists published by the MMS GOMR.

(i) Proposed Artificial Reefs/Rigs to Reefs. Bidders are advised that there are OCS artificial reef planning and general permit areas, and reef sites for the Gulf of Mexico. These are located in water depths of less than 200 meters. While all artificial reef sites require a permit from the U.S. Army Corps of Engineers, the Artificial Reefs program is implemented through State sponsorship through the following State Coordinators:

Alabama Mr. Steve Heath, (334) 968-7576
Florida Mr. Jon Dodrill, (904) 922-4340
Louisiana Mr. Rick Kasprzak, (504) 765-2375
Mississippi Mr. Mike Buchanan, (601) 385-5860
Texas Ms. Jan Culbertson, (281) 474-1418

For more information, on artificial reef sites, prospective bidders should contact the above listed State Artificial Reef Coordinators for their areas of interest.

(j) Lightering Zones. Bidders are advised that the U.S. Coast Guard has designated certain areas of the Gulf of Mexico as lightering zones for the purpose of permitting single hull vessels to off-load oil within the U.S. Exclusive Economic Zone. Such designation may have implications for oil and gas operations in the areas. See 33 CFR 156.300 for the regulations concerning lightering zones; additional information may be obtained from Lieutenant Commander Russ Proctor of the Coast Guard's Ports and Facilities Compliance Staff (G-MOC-3) at (202) 267-0499.

(k) Statement Regarding Certain Geophysical Data. Pursuant to Sections 18 and 26 of the OCS Lands Act, as amended, and the regulations issued thereunder, MMS has a right of access to certain geophysical data and information obtained or developed as a result of operations on the OCS.

A final rule specifying the details and procedures regarding this right of access was published in the Federal Register on December 24, 1997 (62 FR 67278). This revises portions of 30 CFR Parts 250 and 251 and is effective for Sale 175.

For additional information, contact the MMS Gulf of Mexico Regional Office of Resource Evaluation at (504) 736-2720.

(l) Information about Indicated Hydrocarbons. Bidders are advised that MMS makes available, about 3 months prior to a lease sale, a list of unleased tracts having well bores with indicated hydrocarbons. Basic information relating to production, well bores, and pay range for each tract is included in the list. The list is available from the MMS Gulf of Mexico Region Public Information Unit (see paragraph (a) above).

(m) Royalty Relief. The Outer Continental Shelf (OCS) Deep Water Royalty Relief Act authorizes the Secretary of the Interior to offer certain deepwater OCS tracts in the Central and Western Gulf of Mexico for lease with suspension of royalties for a volume, value, or period of production the Secretary determines. The final rule specifying royalty suspension terms for lease sales in the Central and Western Gulf may be found at 30 CFR 203.

A map titled "Lease Terms, Bidding Systems, and Royalty Suspension Areas, Sale 175" depicting blocks in which such suspensions may apply is included in the Sale Notice Package.

The publication "OCS Operations Field Names Master List" depicts currently established fields in the Gulf of Mexico. This document is updated monthly and reprinted quarterly. Copies may

be obtained from the MMS Gulf of Mexico Regional Office Public Information Unit (see paragraph (a) above).

(n) Lease Instrument. Bidders are advised that the lease instrument will include royalty relief provisions and 8-year lease cancellation provisions where applicable.

Revisions to the standard lease form are under consideration by the MMS. No decision on revising the standard lease form will be made until comments from interested parties have been thoroughly considered. Until further notice leases will continue to be issued on Form MMS-2005 (March 1986) as amended.

(o) Electronic Funds Transfer. Bidders are advised that the 4/5ths and first year rental EFT instructions for lease payoff have been revised and updated by MMS Royalty Management. Companies may now use either the Fedwire Deposit System or the Automated Clearing House (overnight payments).

On July 28, 1999, the MMS published in the Federal Register at 64 FR 40764 a final rule revising 30 CFR 256.46(b) to provide the MMS the option of requiring a specific method (or methods) of payment of the deposit on bonus bids submitted at OCS lease sales. Under this new rule, high bidders will be required to use EFT procedures for payment of the deposit on bonus bids. Current OCS lessees and operators may secure such payment using only a signed bid form as will be prescribed in the Final Notice of Sale; others will be required to secure the EFT payment by any one of four additional methods. Details for the use of EFT will be contained in the Final Notice of Sale.

(p) Deepwater Operations Plans. Bidders are advised that MMS Notice To Lessees No. 96-4N, which became effective on August 19, 1996, requires that a Deepwater Operations Plan be submitted for all deepwater development projects (water depths greater than 304.8 meters (1,000 feet)) and for all projects utilizing subsea production technology; projects using conventional fixed-leg projects are exempted from this requirement. Copies of the Notice To Lessees may be obtained from the MMS Gulf of Mexico Regional Office Public Information Unit (see paragraph (a) above).

(q) Bonding Requirements. MMS bonding requirements are found at 30 CFR 256 Subpart I.

In addition, MMS Notice To Lessees No. 98-18N became effective on December 28, 1998. This document is an updated summary of the procedures that will be used in assessing the

financial strength of Outer Continental Shelf (OCS) lessees as they implement the requirement to submit a supplemental bond in compliance with 30 CFR 256. These procedures apply to all OCS Regions. In the Gulf of Mexico Region these procedures supersede the procedures described in the Leasing Activities Information document dated October 22, 1993, and update the supplemental bond information contain in the Gulf of Mexico Letter To Lessees of November 5, 1993.

(r) Final Rule: Oil Spill Financial Responsibility for Offshore Facilities. Bidders should note that MMS published in the Federal Register a final rule to implement a financial responsibility provision of the Oil Pollution Act of 1990 (OPA). The rule, which appears at 63 FR 42711 on August 11, 1998, requires those responsible for offshore oil facilities to demonstrate that they can pay for cleanup and damages caused by facility oil spills. See also 30 CFR 254.

Oil spill financial responsibility (OSFR) Oil spill financial responsibility (OSFR) for offshore facilities establishes requirements on operators for demonstrating financial responsibility for cleanup and damages caused by oil or condensate discharges from offshore oil and gas exploration and production facilities and associated pipelines. The rule (30 CFR 253) applies to Outer Continental Shelf (OCS), State waters seaward of the line of ordinary low water along that portion of the coast that is in direct contact with the open sea, and certain coastal inland waters.

OSFR requirements may not affect facilities which have a worst case oil spill discharge potential of 1,000 barrels or less. The regulation explains how to calculate this discharge. If the facility's potential worst case spill exceeds this amount, facilities will be required to establish and maintain oil spill financial responsibility at a minimum level of \$35 million. Prior to receiving an exploration permit or lease assignment a company must demonstrate sufficient coverage for all covered offshore facilities which have a worst case oil spill of greater than a 1000 barrels.

MMS Notice To Lessees No. 99-01 ("Guidelines for Oil Spill Financial Responsibility for Covered Facilities"), issued on January 6, 1999, and effective immediately, provides guidelines for implementing this program.

(s) Response Plans for Facilities Located Seaward of the Coast Line. The regulations at 30 CFR 254 Subpart D implements the facility response planning provision of Oil Pollution Act of

1990 (OPA). The rule supersedes an interim rule in effect since February 18, 1993, and allows one plan to be used to cover multiple offshore facilities. This allows operators to reduce the cost of spill response compliance without sacrificing environmental protection. This also permits the use of the National Response Team's Integrated Contingency Plan Guidance when preparing a plan for MMS review. This guidance allows facility owners to consolidate multiple plans required by various agencies into one functional response plan, thereby minimizing duplication.

(t) Military Warning Areas. Military Warning Areas are established in the Flight Information Publication "Area Planning - Special Use Airspace - North and South America" published by the National Imagery and Mapping Agency (NIMA), 3200 South Second Street, St. Louis, Missouri 63118-3399; NIMA reference number PLANXAP1A. The most recent version of this document was published on May 20, 1999; it is expected that it will be reissued from time to time in the future.

The Military Areas Stipulation (Stipulation No. 2 in the document "Lease Stipulations for Oil and Gas Lease Sale 174" included in the Sale Notice Package) will be applied to leases in any new areas that may be established by that publication in addition to blocks in those Warning Areas which have had the stipulation in past sales.

Certain restrictions on flights and radio communications in the Warning Areas will require close coordination between lessees (and their operators and agents) and the appropriate military commander using the specific Warning Area. It is the responsibility of lessees to establish and maintain contact and coordination with the military commander(s) in any Warning Area in which operations or flights would be expected in the course of occupying and developing any leases; this could include flights through a Warning Area traveling to a leased block which is not in a Warning Area.

Lessees should establish and maintain contact and coordination with the appropriate military commander(s) whether or not there is a military stipulation in their lease(s).

The contact for administrative questions about the warning areas is:

Federal Aviation Administration
Houston Air Route Traffic Control (ARTC) Center
16600 John F. Kennedy Boulevard
Houston, Texas 77032
Telephone: (281) 230-5536/5630

(u) Unleased Blocks Offshore Baldwin County, Alabama.

The State of Alabama continues to oppose the offering for lease blocks south and within 15 miles of Baldwin County, Alabama. The basis of this opposition is to minimize the visual impact of new structures within the area. Mobile Area blocks 829, 957, 958, and 1001 are the currently unleased blocks within the area. These four blocks are offered for leasing in Sale 175 subject to a stipulation to mitigate possible visual impacts from fixed structures on the blocks. The State of Alabama was consulted in the development of the stipulation; while the State's preference is to not offer the four blocks, the State supports the implementation of the stipulation if those blocks are leased.

The stipulation requires lessees to minimize surface structures, and, when surface structures are necessary, to limit their visibility from shore. The MMS will consult with the State of Alabama prior to approving a Development Operations Coordination Document (DOCD) in these blocks.